

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7269

BILL NUMBER: HB 1407

NOTE PREPARED: Apr 29, 2003

BILL AMENDED: Apr 25, 2003

SUBJECT: Insurance "agent" to "producer" Corrections Bill.

FIRST AUTHOR: Rep. Ripley

FIRST SPONSOR: Sen. Paul

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (CCR Amended) This bill replaces references to insurance agents and limited insurance representatives with insurance producer. The bill provides that in certain circumstances a life insurance company may issue or issue for delivery in Indiana funding agreements.

The bill allows the Insurance Commissioner to waive requirements related to accident and sickness insurer and health maintenance organization processing of paper claims under certain circumstances.

The bill provides that an accident and sickness insurer or a health maintenance organization that does not resolve an appeal within the statutory time frame commits an unfair and deceptive act or practice in the business of insurance.

The bill also requires quarterly reporting regarding resolution of grievance appeals.

The bill specifies certain requirements for health care providers concerning notice to patients of third party billings.

Effective Date: Upon passage; July 1, 2003; January 1, 2004.

Explanation of State Expenditures: This bill contains five provisions: (1) it makes changes to current statute regarding the use of the term "insurance producer"; (2) allows the Department of Insurance to promulgate rules and conditions for the issuance of funding agreements; (3) allows the Department to issue a waiver of filing requirements to an insurer that experiences a qualifying increase in volume of claims filed on paper; (4) specifies certain requirements for health care providers concerning notice to patients of third

party billings; and (5) requires quarterly reporting regarding resolution of grievance appeals and sets penalty for not resolving grievances within specified time.

(1) *Insurance Producer Terminology Change*: This provision is technical and does not have a fiscal impact.

(2) *Funding Agreements*: The bill allows the Commissioner of the Department of Insurance to establish rules or conditions regarding matters related to life insurance funding agreements provided for in the bill. The bill also gives the Department authority to regulate and review the agreements. It is presumed that any additional administrative costs incurred by the Department as a result of this bill could be covered using existing staff and resources. It is anticipated that one company that currently does business in Indiana would offer funding agreements to investors.

(3) *Waiver of Filing Requirements*: This provision allows the Commissioner to waive state filing time lines under certain circumstances. Insurers are required to pay a clean, paper-filed claim within 45 days, and an electronic filed claim within 30 days. HIPAA requirements concerning electronic filing requirements, effective October 1, 2003, may increase the number of paper-filed claims received by insurers. This provision allows the Commissioner to waive the 45-day payment requirement for a set length of time. The number of insurance companies that may request this waiver is currently unknown at this time. The Department should be able to absorb this general administrative expense given current staffing and resources.

(4) *Third Party Billings*: This bill specifies certain requirements for health care providers concerning notice to patients of third party billings. The bill requires that certain health facilities and providers include specific language in third party billing notices sent to patients. The notice must state that it is not a bill, must not include a tear-off portion, and may not include a return mailing envelope.

The providers and facilities included are the following: hospitals, ambulatory outpatient surgical centers, hospices, home health agencies, health facilities, and practitioners. There is no state or local fiscal impact associated with this provision.

(5) *Quarterly Reporting of Grievance Appeals*: This bill requires that a health maintenance organization that violates the 45-day time period must file a report with the Department of Insurance. The report must list the number of appealed grievance decisions that were not resolved and the reason. This report must be filed in the quarter that the violation occurred.

Explanation of State Revenues: This bill may generate additional personal and corporate tax revenue if the funding agreement provision results in additional investment in the state.

The bill makes a violation of the requirements for insurer and HMO grievance procedures an unfair and deceptive act and practice in the business of insurance. Violation of these requirements by an insurer may result in the levying of civil penalties. Civil penalties will be deposited in the state General Fund. The civil penalties set forth for committing an unfair and deceptive act and practice in the business of insurance are \$25,000 for each act or violation, or \$50,000 for each act or violation if the person knew or reasonably should have known that they were in violation of this chapter. Total revenue is dependent upon number of occurrences.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected:

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